

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION**

#### **JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN SERVICES**

**Call to Order:** By **CHAIRMAN CLARK**, on January 9, 2003 at 7:35  
A.M., in Room 472 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Edith Clark, Chairman (R)  
Sen. John Cobb, Vice Chairman (R)  
Rep. Dick Haines (R)  
Rep. Joey Jayne (D)  
Sen. Emily Stonington (D)

**Members Excused:** Sen. Bob Keenan (R)

**Members Absent:** None.

**Staff Present:** Robert V. Andersen, OBPP  
Pat Gervais, Legislative Branch  
Lois Steinbeck, Legislative Branch

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed. The  
time stamp refers to material below it.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: Division Overviews:  
Refinancing  
Child and Family Services  
Human and Community Services  
Child Support Enforcement  
Quality Assurance  
Operations and Technology  
Fiscal Services

Executive Action: None.

**OVERVIEW OF OFFICE OF PROGRAM FINANCE**

***{Tape: 1; Side: A; Approx. Time Counter: 0.5 - 12.8}***

**Chuck Hunter, Administrator of the Office of Program Finance**, distributed a Division overview and an inventory of projects and funding sources for consideration and reviewed the process by which he became involved in the DPHHS refinance program. Referring to Exhibit 1, he went over the intent of the Legislature, the purpose for which the unit was created, and the means by which it is supposed to be funded. He then touched briefly on the unit mission, goals, costs, and expected savings and commented on the importance of working across division and program boundaries in providing benefits.

**EXHIBIT (jhh04a01)**

**EXHIBIT (jhh04a02)**

**Refinancing and Revenue Maximization**

***{Tape: 1; Side: A; Approx. Time Counter: 12.8 - 29.6}***

In explaining refinancing strategies, **Mr. Hunter** said that the goal is to reduce general fund expenditures by using greater amounts of federal or local government funding for the best match possible, intergovernmental transfers (IGT), improvement of federal claiming, and Medicaid waivers.

The Division has hired two firms, Maximus and Public Consulting Group, to help with refinancing, **Mr. Hunter** reviewed the Division expectation from the consulting groups. He then went over the goals of revenue maximization with regard to funding received from nonstate sources, eligibles capture, eligibility expansion, Medicaid upper payment limit (UPL) strategies, provider taxes, and third-party liability.

***{Tape: 1; Side: A; Approx. Time Counter: 29.6 - 49}***

Continuing with his presentation of Exhibit 1, **Mr. Hunter** provided examples of past Department refinancing and went over current projects such as a department-wide evaluation of opportunity, Title IV-E expansion, Targeted Case Management, Medicaid assessment, Medicaid waiver, and staff-based initiative. Referring to Exhibit 2, **Mr. Hunter** said that Maximus is reviewing the DPHHS programs, looking for funding streams, and bringing ideas that have worked elsewhere. They will provide a report by February 15.

**Mr. Hunter** moved on to a more detailed explanation of current projects and cautioned that it is a balancing act to use all means available to improve eligibility for higher recovery of costs without incurring federal scrutiny.

**{Tape: 1; Side: B; Approx. Time Counter: 0.4 - 10}**

**Mr. Hunter** explained that Targeted Case Management is aimed at claiming social worker costs for actual case management of children with a mix of Medicaid and IV-E instead of IV-E and general fund. They are hoping with this mix they can claim a better match rate and pay higher rates to social workers. It has been a successful strategy in other states, but the federal government is looking at such strategies more carefully and several recent requests have been denied. The Department will submit a State plan amendment in January, and will appeal if necessary.

He went over the idea behind the Medicaid Assessment and why certain groups might benefit, but others not. He then briefed the Subcommittee on various Division decision packages (DP) that involve refinancing. These issues total a reduction of \$12 million in general fund and an increase of \$27 million in federal or other special revenue funds. The divisions have been responsive in finding new ways to refinance. **Mr. Hunter** cautioned that he believes that the savings are overestimated in DP 26 and DP 28. DP 28 was built on two years of savings projected from IV-E eligibility and Targeted Case Management, and should those programs not be put into effect in the next two years, the savings will be reduced.

**Questions from Subcommittee Members and Responses:**

**{Tape: 1; Side: B; Approx. Time Counter: 14.5 - 18.6}**

**Mr. Hunter** answered questions from Subcommittee members regarding amounts the Subcommittee should budget.

In closing, **Mr. Hunter** stated that refinancing allows the State to use its own funds more efficiently to generate higher levels of federal funding. It can provide savings for use in a variety of ways. He believes that this program will lead the State to better management. He cautioned that projected savings estimates are based on assumptions and those assumptions may be inaccurate, and the strategies increase risk of federal scrutiny.

**{Tape: 1; Side: B; Approx. Time Counter: 18.6 - 30.7}**

**SEN. STONINGTON** asked for comment on risk factors in expansion of eligibility and commitment of general fund and whether the federal government scrutinizes each increase in money to match.

**Mr. Hunter** responded that sometimes through the use of the two mechanisms together new income can be generated as match. The IGT is an example of an increased federal share, better rates, and no new general fund expenditure. Care must be taken in construction of the plan so that there is no negative consequence. The federal government will examine the strategy

carefully, but the strategies that the Department will use are common practice and should not receive a huge amount of scrutiny.

**Mr. Hunter** commented further that while some of the refinancing strategies may be good for generation of money, they may not be good public policy. As example, he cited nursing home bed taxes and taxation of Intermediate Care Facilities for Mentally Retarded (ICF/MR).

**{Tape: 1; Side: B; Approx. Time Counter: 30.7 - 38.5}**

**SEN. COBB** said that they need some provider bills before the end of January. DPHHS is short \$4 or \$5 million to make up the refinancing money. **Director Gray** said that she has faith that they will find the \$6 million. **Mr. Hunter** cautioned further about refinance since the federal government can and does change the rules. Refinancing also adds complexity and the savings strategies must be clear. Further, refinancing strategies should be shared across departments and with other governments, such as the Tribes. He commented further on the manner of handling savings. He stated that they expect refinance to continue through the next biennium, so there needs to be new language in HB 2.

**REP. HAINES** questioned **Mr. Hunter** about the figures on IV-E. **Mr. Hunter** explained that IV-E will pay about 50% of an eligible child and that about 50% of the foster child population is IV-E eligible.

#### **LFD Comments**

**{Tape: 1; Side: B; Approx. Time Counter: 43.1 - 49}**

**Pat Gervais, Legislative Fiscal Division (LFD)**, went over the three different matching rates in IV-E. Cost of care is paid at the Federal Medical Assistance Percentage (FMAP) rate, admin costs are paid at 50-50 and training costs are 75-25. The actual cost of placement is paid at FMAP, but is limited in THE case of IV-E. It pays room, board, and supervision, but not treatment costs. **Mr. Hunter** added that another strategy states have used is employing State universities for training social workers and then using university dollars as match for dollars. They receive a higher percentage for training, and there is no increased cost to the State.

**Lois Steinbeck, LFD**, added that the reason the Subcommittee is hearing so much about Medicaid and Title IV-E is that these are the only federal entitlement programs left; other funding sources are capped and provide block grants. Another area of refinance that has not been looked at is the Children's Health Insurance Program (CHIP). It is a capped grant, but there is federal authority there.

**Questions from Subcommittee Members and Responses:*****{Tape: 2; Side: A; Approx. Time Counter: 0.3 - 8.4}***

**CHAIRMAN CLARK** asked **Bob Andersen, Office of Budget and Program Planning (OBPP)**, why the refinance was not included in the Executive Budget and whether it would be approved if it came forward. **Mr. Andersen** replied that it was an oversight and the language would be approved.

**REP. HAINES** asked **Mr. Hunter** if they were anticipating \$6 million in savings as a result of the refinancing and if the cost to receive that is \$3 million. **Mr. Hunter** said that those were the expected savings assumptions going into the session, but those have been reduced by the TCM. Division costs were about \$400,000 this year and \$700,000 over the next biennium. Maximus predicts that the State could generate \$15 to \$25 million, and that is the amount of money the Division is looking at.

**SEN. COBB** asked why the Department is helping schools out with the refinance if it cannot meet its own budget. **Director Gray** said that schools are providing services that DPHHS did in the past.

***{Tape: 2; Side: A; Approx. Time Counter: 8.4 - 12.3}***

**Mr. Hunter** brought up the possibility of the generation of \$10 million over the next biennium, and questioned how the legislature would deal with it. Responding to a request that she address the possibility, **Ms. Steinbeck** explained that in the past the Subcommittee has appropriated hollow federal authority for divisions that were actively trying to refinance. She suggested that the Subcommittee may wish to identify spending priorities, and that it may take a separate piece of legislation rather than language in HB 2 depending on the priorities of the Subcommittee. Refinancing is potentially a way to meet some of the general fund reduction targets.

***{Tape: 2; Side: A; Approx. Time Counter: 12.3 - 15.4}***

In response to a question from **SEN. STONINGTON** about the hollow nature of the money, **Ms. Steinbeck** said that some of the money is hollow, some is not. Targeted case management for foster care was being approved a year ago, and there are further opportunities to increase the IV-E penetration rate. The issue is staff resources for planning, training, and implementation of the processes. IGT are possible and potential, but it may require pressure from the Subcommittee. A refinance of 100% general fund services for children in Developmental Disabilities (DD) who would be CHIP-eligible if a CHIP expansion were made. There are policy decisions that go along with this such as means testing. Some of the refinance package may take legislation.

**{Tape: 2; Side: A; Approx. Time Counter: 15.4 - 21.8}**

**Ms. Gervais** added that the issue that arose this past biennium was whether refinancing done in the Developmental Disabilities Division (DSD) freed up general fund to be used to offset the Department's supplemental situation. The legal opinion was that because the legislation had included excess federal appropriation authority, the Division was not subject to the provisions of section 17-2-108 MCA which requires the reduction of general fund when additional federal authority is obtained. The Department had the federal appropriation, it did not need to use the statutory provisions to obtain more authority. As a result, it did not need to reduce the general fund. Additionally, HB 2 included language which allowed the Division to use the general fund savings within the Division to expand services, to increase provider rates, and several other items.

LFD staff became aware of the interaction of the appropriation of excess authority with the appropriation statutes during the interim. In hindsight, had the Subcommittee known last session that the Department was going to be in a supplemental situation it may not have allowed the DSD to give provider rate increases, move more appropriations to community services, and invest the savings into the Division. It may have specified that all or some of the savings generated should offset the supplemental appropriation and services reductions in other areas. LFD will carefully scrutinize how excess authority in the budget impacts the application of the appropriations statutes during the interim.

**Director Gray** commented that it is a very complex issue. For example, there is explicit language which said that they were to remove people from institutions and place them in the communities, and that is how they used that refinancing money. The Subcommittee is the public-policy making body, and the Department will do what is necessary, but sometimes because of changing situations there are conflicting directions.

**{Tape: 2; Side: A; Approx. Time Counter: 21.8 - 23.5}**

**Mary Dalton, Administrator of Quality Assurance Division (QAD)**, presented her division overview and reviewed its history, organization, primary responsibilities and programs, funding, major accomplishments, and staffing.

**EXHIBIT (jhh04a03)**

**{Tape: 2; Side: A; Approx. Time Counter: 23.5 - 51.5}**

Referring to Exhibit 3, **Ms. Dalton** reviewed the programs offered within her division and delineated QAD responsibilities. QAD is responsible for health care facility certification and licensure,

detection and investigation of abusive or fraudulent practices within the Medicaid program, identification of other insurers or responsible parties, auditing for DPHHS programs, provision of fair hearings, approval and monitoring of nurse aid training, operation of the Certificate of Need program, and monitoring and evaluation of HMOs. She reviewed the full-time equivalents(FTE)and their distribution and the varied funding sources for the programs. She reviewed the major accomplishments within the Office of Fair Hearings, the Program Compliance Bureau, the Audit Bureau, the Licensure Bureau, and the Certification Bureau.

*When the operator attempted to turn the tape, it jammed in the machine. Minutes and notes were lost during operator attempts to remove the jammed tape from the machine.*

**Ms. Dalton** reviewed division decision packages.

**{Tape: 2; Side: B; Approx. Time Counter: 0.3 - 25.5}**

**Hank Hudson, Administrator of the Human and Community Services Division (HCSD)**, presented an overview and observed that the their mission is to assist people in their rise from poverty by providing a safety net of services and assistance. In his review of the Early Childhood Services Bureau, he reviewed the means by which they have attempted to keep a viable program within the limits of the funding given the current circumstances. They have created waiting lists, not given provider rate increases, and increased copays in order to manage the program. In the Public Assistance Bureau, they have had a dramatic increase in applications to determine eligibility for assistance which is due to the economic conditions of the State. Eligibility specialists work with people to determine eligibility for food stamps, cash benefits, TANF, case management and family investment services. This year they will have a \$60 million food stamp program.

**EXHIBIT (jhh04a04)**

**Mr. Hudson** reviewed the electronic benefits transfer (EBT) card system recently implemented by the division, and they have had very good response. They continue to operate the Welfare Reform Act project and adhere to the value that everyone who can work should work and they will do everything that they can to assist them with this. At present they are stressed and can not provide all of the childcare that they would like to provide people as they leave welfare. He reviewed the Families Achieving Independence in Montana (FAIM) II R project and said that the funding is now gone.

The Intergovernmental Human Services Bureau deals with federal programs, distributes all commodity foods, and operates the Low Income Energy Assistance Program(LIEAP). It is the safety net bureau dealing with energy and food.

**Mr. Hudson** then went over the issues involved in the program. The first issue involves the \$44 million TANF block grant which replaced the Aid to Families with Dependent Children(AFDC) program and was part of welfare reform. During the last session, there was a rapidly declining caseload, and they had money to spend. This year the rapidly increasing caseloads present them with the challenge of living within that \$44 million block grant. The average total of monthly benefit payments is \$2.8 million, which is \$33 million a year and is the highest level since welfare reform. If they average more than \$2.8 million in the next year, they will not have enough money. The Department is proposing that it will reduce the size of the benefit check.

**Mr. Hudson** explained another issue involving maintenance of effort (MOE), which was reduced by \$1 million in 2003. The HCSD has been taking money from the start of the State fiscal year and spending it in the last quarter of the federal year, which is a risky accounting practice. With the proposed changes in the federal welfare laws, they may be required to have people in more hours of work activity every day. They will need to find the money somewhere to generate additional work activities for clients.

Continuing with his review of the issues involved in the programs, **Mr. Hudson** said that caseload in TANF had gone up dramatically. There is speculation that this is related to the waiting list for childcare. They will need to look at changes in the childcare program so that they do not set up a disincentive to work for low-income families. Two ways to make work more attractive than welfare are subsidizing low-income work or reducing welfare benefits. The key to welfare reform success is that work is a better alternative than being on welfare.

**Mr. Hudson** said that the safety net system in Montana is in great demand now with the huge increases in use of the food banks and homeless shelters. He then mentioned that the budget looks like it will have \$100 million more than it had before, but food stamps were a nonbudgeted item and never went through the State accounting system. With the EBT system, the money is placed in a State account, but it is actually just an accounting mechanism, they do not really have \$111 million more in the budget.

**Mr. Hudson** concluded that they were making reductions in the public assistance program infrastructure. They have encouraged



people to retire, downgraded and cut positions, laid off some people, closed office, and reduced activities in several other offices.

**{Tape: 2; Side: A; Approx. Time Counter: 25.5 - 30.5}**

**Ms. Gervais** pointed out that an error was identified in the TANF table in Figure 18 on page B-33 of the Budget Analysis. The table in the budget analysis shows a reserve of TANF funds and this is an error; there are no federal TANF funds remaining. Other issues have to do with MOE and the request for additional general funds.

**{Tape: 2; Side: A; Approx. Time Counter: 30.5 - 51.5}**

**Shirley Brown, Administrator of the Child and Family Services Division (CFSD)**, presented her division overview and reviewed the mission of the division, staffing and distribution, the programs and their funding sources. The programs involved are Child Protective Services (CPS), Domestic Violence Prevention, and the Children's Trust Fund. She reviewed the services provided by each of these programs, most of which are provided by community providers, and the types of funding the programs receive. She touched on the scope of the services provided in the programs and cited statistical information on those served.

**Ms. Brown** continued that Child Protective Services is the primary function of CFS, and all of the work done in CPS has statutory basis in Montana code and federal law. She reviewed the federal laws which govern the program, and said that the Adoption and Safe Families Act of 1997 increased the responsibilities of social workers and the courts. She reviewed the CPS continuum. Anyone can report suspicions of neglect or abuse through the centralized intake system, but certain groups of individuals are required to report such suspicions, such as medical, school, foster-care, and law-enforcement personnel, and clergy.

**EXHIBIT (jhh04a05)**

**{Tape: 3; Side: A; Approx. Time Counter: 0.3 - 22.5}**

**Ms. Brown** cited the statistics on the numbers of calls received through central intake and the effect that drugs, particularly methamphetamine, have had on families. She reviewed the statutory requirements for removal of a child from a family and reunification of the child with the family, as well as the process involved. **Ms. Brown** went over the types of care in which children may be placed. She emphasized that it is a myth that a child is removed from a family on the social worker's say-so alone. There is a system of checks-and-balances involving the social worker's supervisor, the county attorney, the courts, appointment of a guardian ad litem, and administrative review.

**Ms. Brown** went over the challenges that she sees with regard to workload and staffing given the funding reductions. She also touched on the difficulty in changing the public perception of the division. She also noted that parents are unaware of services and/or do not request available services which might help them overcome difficulties in maintaining a safe home for their children.

**{Tape: 3; Side: A; Approx. Time Counter: 22.2 - 32}**

Responding to a series of questions from the Subcommittee, **Ms. Brown** said that the division does not have the fiscal resources to change public perception by training, but they do train the social workers on how to address those perceptions on a case-by-case basis. In the last session they wanted to not be required to investigate every report because of the high caseload issue, and this remains the same now. She said that they wanted to get the division out of the investigation of CPS reports in daycare facilities because it is very time consuming. They may have fewer resources in the past, so this is where they thought they could reduce responsibility. Because of the changes in the mental health system, they are requesting that the definition of abandonment be changed so that parents can not voluntarily surrender their children. They are attempting to meet a balance of what they can realistically do within the budgetary and time constraints.

**{Tape: 3; Side: A; Approx. Time Counter: 32 - 35.2}**

Reviewing several issues, **Ms. Gervais** said that the foster-care caseload increase may be overstated, due to the assumption that without availability of in-home services more children will enter foster care. The division did not provide any support for such an eventuality given historical evidence; however, the subsidized adoption caseload increase appears to be inadequate given historical increases.

**{Tape: 3; Side: A; Approx. Time Counter: 35.2 - 51.5}**

**Lonnie Olson, Administrator of Child Support Enforcement Division (CSED)**, presented his overview of the program and its challenges. The primary challenge for this division in this biennium is funding. The central piece of legislation affecting the program this session is the fee bill sponsored by **SEN. COBB**. **Mr. Olsen** reviewed some of the history behind the division and Title IV-D, the federal program from which it receives its authority. He reviewed the caseload and the collections for the program and said that at least one-fifth to one-quarter of the people in the State are affected by the program, and in 2002, CSED collected \$51.4 million and made over 300,000 financial transactions. He reviewed the bureaus, distribution of regional offices, and staffing. **Mr. Olson** also reviewed the division staffing levels

and said that attrition has eliminated some FTE, and they no longer have a contract with Maximus for the phone center so they are now somewhat constrained with respect to what they can do. Despite the staffing reductions, they did record collections over the last year. He said that he believes that the division must augment its staff.

**EXHIBIT (jhh04a06)**

**{Tape: 3; Side: B; Approx. Time Counter: 0.3 - 17.9}**

**Mr. Olson** continued that the division serves those who are in poverty or on the cusp of poverty and are unable to retain legal representation to enforce child support. It enforces child support orders, establishes orders that people provide medical insurance for their families, review child support orders, design the guidelines used to determine child support orders in the courts, and establishes paternity for those who seek their services.

In discussing program funding, **Mr. Olson** said that two-thirds of all costs are paid by the federal government and one-third by the State. Revenue is derived from four sources: assigned State share of collections for TANF recovery, federal incentive dollars, general fund, and fees. He reviewed the fee bill which will enact transaction fees from those for whom they collect child support. The federal government will receive two-thirds and the State one-third of every dollar collected in fees.

There are many federal requirements placed on this program, and division performance data is audited on a yearly basis. The incentive funds that they received are based on five different criteria on which they are audited. Montana passed each line of its performance audit with a 98 percent level of compliance. In the last year, CSED developed a web-site so that people can determine if they received their payments. CSED is also modeling its payment structure after the EBT card in order to save money.

**{Tape: 3; Side: B; Approx. Time Counter: 17.9 - 32.9}**

Responding to a series of questions from **REP. JAYNE**, **Mr. Olson** said that the DNA testing is done through a laboratory contract and costs about \$66 to \$93. The State pays about ten percent of that fee. **Mr. Olson** continued that if there is no jurisdictional basis on which the State should proceed, they should not be allocating or calculating child support figures. Before undertaking any case involving enrolled members of a sovereign tribal nation, CSED does a case analysis to determine whether the State has any reason to exert its jurisdiction over the case. They do defer many cases, but he does not know the financial cost of this. In order to determine the amount of the

fee, **Mr. Olson** said that an analysis was done when this was proposed, and it was determined that it would cost \$7 to handle the transaction. Responding to further questions from **REP.**

**JAYNE, Mr. Olson** said that the custodial parent receives the payment so pays the fee. The fees are capped at ten percent of the amount of the payment being handled. There is no waiver should someone be unable to make the payment. **REP. JAYNE** said that it was her understanding that because federal funds are involved in CSED they must serve everyone regardless of income. Given that, if someone cannot afford the \$7, the State cannot deny them services. She pointed out that this should be clarified in the bill, and **Mr. Olson** said that he would review it.

**{Tape: 3; Side: B; Approx. Time Counter: 32.9 - 36.4}**

**Ms. Gervais** commented that the Executive Budget assumes that there will be revenue generated from fees, but if the division is not given the authority to collect fees, they will not achieve the revenue estimates included within this budget.

**{Tape: 4; Side: A; Approx. Time Counter: 36.4 - 49.5}**

Referring to Exhibit 7, **Mike Billings, Administrator of the Operations and Technology Division (OTD)**, reviewed the purpose of the division and its budget. The budget has increased \$1 million from the last biennium. Most of the increase is due to cost increases at the Department of Administration (DOA) Information Systems Division (ISD) and for insurance costs paid to them. About 85 percent of the budget is devoted to technology, and within OTD there are three basic units which support technology: telecommunications, internal systems, and external systems. Most of the technology budget is devoted to external systems which are the major systems in DPHHS. He reviewed these various systems: the Montana Access Electronic Benefits Transfer (EBT), Child and Adult Protective Services (CAPS), The Economic Assistance Management System (TEAMS), Child Care Under the Big Sky (CCUBS), System for Enforcement And Recovery of Child Support (SEARCHS), and Montana Medicaid Management Information System (MMIS). **Mr. Billings** reviewed the evolution and purpose of the EBT and other uses they intend for it.

**EXHIBIT (jhh04a07)**

**{Tape: 4; Side: A; Approx. Time Counter: 1.8 - 30}**

With respect to the EBT card, **Mr. Billings** said that there has been a significant across-the-board increase in the use of food stamps with this card. They have received positive feedback from stores and service recipients. They extended the use of the card to include TANF cash benefits, and they hope to use it for CSED electronic fund transfers as well. With the use of the card and

electronic funds transfer, they are attempting to eliminate the use of checks and postage for mailing checks. Montana is the only state in the nation that is its own bank in this regard, they do their own processing. They are looking at the potential to increase the use of the card for State paychecks as well.

**Mr. Billings** then reviewed the organizational structure of the division, staffing, and contractor issues. The division has a large contractor staff within its FTE and has privatized where it can privatize. The contractors have built large systems for the division, and in every case those systems have been on-target and under-budget. The Department has never had a contract issue, and he does not anticipate any. Last year, they did have to make significant cuts in the contracts in order to meet the budget shortfall in 2003 and as a result, they have had to do much reprioritization.

**Mr. Billings** referred the Subcommittee to Exhibit 7 and the budget breakdown. The cost increases involve the fixed costs at the DOA ISD for increased computer costs. DPHHS represents almost 42 percent of the total operational costs of the State information center, and when increases in salaries, storage costs, processing costs, and acquisition of new equipment occur within that agency, DPHHS bears much of the cost.

**Mr. Billings** distributed more division information on what it has done so far, and where it hopes to go. He reviewed the evolution and purpose of the Virtual Human Services Pavilion, and reviewed with more specificity the large systems involved within OTD.

**EXHIBIT (jhh04a08)**

**Mick Robinson, Administrator of the Fiscal Services Division (FSD)**, reviewed the history of this newly developed division within DPHHS, the staffing, and funding. The main purpose for the creation of this division was to provide focus on the accounting of financial activities of the Department.

**EXHIBIT (jhh04a09)**

**Mr. Robinson** reviewed the different sections within the division their staffing and functions. He reviewed the audits that occur and said that they focus on audit areas throughout the Department. The division also processes payments that flow out of the Department and are automated through the TEAMS and SEARCHS systems, and it also handles the reconciliation of those activities. FSD handles payments for travel, reimbursement payments, vendor payments, and so on. There is significant activity which corresponds with the size of the budget of the

agency. There are 150 accountable grants and funds within the agency, and the division must account and report for them. They also draw down federal cash on a daily basis as quickly as they can to limit the amount of loans from general fund to finance activities or to earn interest.

**{Tape: 4; Side: B; Approx. Time Counter: 0.1 - 15}**

**Mr. Robinson** continued that they are also responsible for institutional reimbursements within the agency and responsible for the medical billings and collections of those billings. They also have a purchasing unit which provides purchasing expertise and support to all noninstitutional units and employees. Referring to language included in HB 2 in 2001, he said that the language indicated that "the Department should make every effort to achieve an unqualified opinion," while they have done everything they can to achieve this, the Department must also take action to ensure that this achievement occurs. He mentioned the management actions DPHHS has taken to achieve compliance with the intent of HB 2. Specific structural changes include the Deputy Director position, the internal audit function, the new Fiscal Services Division, significant support from the Director's Office. FSD does not have any budget requests in this session. The budget is composed mainly of personal services AND there is a significant portion of State fixed costs, which show up as operational costs.

In closing, **Mr. Robinson** reviewed the 2001 audit recommendations, and said that of the 34 recommendations they have implemented or completed 17 of those recommendations. They have initiated legislation to address two of the recommendations, three are in the process of remedy, and two will be ongoing. He said that they will keep a continual focus so that they do everything possible to bring the cash in, manage the financial activities, and ensure adequate controls in the financial structure.

**REP. JAYNE** asked whether LC 42, a bill repealing a statutory requirement to create a health system database, is still a proposed for legislation, and **Mr. Robinson** said that it is SB 100, which was heard and passed out of the Senate Public Health Committee yesterday. **REP. JAYNE** asked if another division within DPHHS has taken over that mandate, and **Mr. Robinson** said that the statutory requirement became law in 1993. The initial discussion regarding the database was that there would be an appropriation to implement it, and that issue has been presented to the legislature every session since then, but the appropriation has never been made. This has not met the priority level for appropriation, so they are choosing to ask the legislature to eliminate the requirement since there has not been funding to

accomplish this. It was a concept which was supposed to integrate all health data statewide, but this has not been done.

**Ms. Steinbeck** distributed a list of potential actions proposed by DPHHS in order to reach the \$48 million reduction which is currently unspecified within the budget. Some of these reductions would require legislation.

**EXHIBIT (jhh04a10)**

*{Tape: 4; Side: B; Approx. Time Counter: 15 - 18.6}*

**Director Gray** said that this list is not from the Governor's Office, but is a response to Subcommittee actions. She stated that she assumes that there will be many changes since there will be unintended consequences that will occur as a result of reductions of this size. She emphasized that several of these reductions will require legislative action. Operational reductions are tied to the other cuts.

**Ms. Steinbeck** commented that as an option for Subcommittee consideration, it could consider a separate Children's Health Insurance Plan (CHIP) program up to 200 percent of poverty to offset some of the costs.

*{Tape: 4; Side: B; Approx. Time Counter: 22 - 25.5}*

**Ms. Gervais** distributed a spreadsheet which is a comparison between the FY00 base and the Executive Budget by division. She explained how it was laid out.

**EXHIBIT (jhh04a11)**

*{Tape: 4; Side: B; Approx. Time Counter: 25.5 - 38.1}*

**Ms. Steinbeck** said that staff is not suggesting that the Subcommittee approach it by division because some of the policies that the Subcommittee may consider may affect more than one division. For instance, if they were to change Medicaid eligibility, it would affect several divisions. The spreadsheet is a tool to see where expansions and contractions have occurred.

**SEN. STONINGTON** asked for clarification on HB 124, and **Ms. Steinbeck** replied that the effects of HB 124 were included in the joint motion adopted by Senate Finance and House Appropriations Committees. Before HB 124, counties were responsible for part of the administrative costs of food stamps, Medicaid and TANF eligibility, cash assistance and foster-care costs. The first spreadsheet that the Subcommittee acted from did not include the effects of HB 124 in various agencies that were impacted. If it had not been included in the motion, it would have resulted in another \$14 million general fund reduction in the agency. In the

base 2000 budget, all of the HB 124 expenditures were funded by SSR. If that base were adopted without the adjustments, the Subcommittee would have to come up with another \$15 million in general fund reductions that were funded by SSR in the 2000 base and by general fund in 2003.

**SEN. COBB** commented that he does not want to make the cuts for the appropriation committee because they will then make no effort to find more money to put into the budget. He suggested that he would try to find funds to put back into the programs because he does not want to make the cuts. **SEN. STONINGTON** requested that they set aside significant time to discuss how they intend to proceed.



**ADJOURNMENT**

Adjournment: 12 P.M.

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REP. EDITH CLARK, Chairman

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SYDNEY TABER, Secretary

EC/ST

**EXHIBIT** (jhh04aad)